

White Lake Area Solid Waste Authority

Financial Statements and Required Supplemental Information Years Ended June 30, 2008 and 2007

White Lake Area Solid Waste Authority

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Independent Auditors' Report

To the Board of Directors
White Lake Area Solid Waste Authority
Whitehall, Michigan

We have audited the financial statements of the White Lake Area Solid Waste Authority as of and for the years ended June 30, 2008 and 2007 as listed in the table of contents. These financial statements are the responsibility of the White Lake Area Solid Waste Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

Except as discussed in the following paragraph, we conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

No accounting controls are exercised over fees for services prior to the initial entry of the fees in the accounting records. Accordingly, it was impractical to extend our audits beyond the receipts recorded.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had the cash collections of fees referred to above been susceptible to satisfactory audit tests, the financial statements referred to above present fairly, in all material respects, the financial position of the White Lake Area Solid Waste Authority as of June 30, 2008 and 2007 and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis listed in the table of contents is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit this information and express no opinion thereon.

Pridnia Lapres, PLLC

White Lake Area Solid Waste Authority

Management's Discussion and Analysis

This section of the White Lake Area Solid Waste Authority's annual financial report presents our discussion and analysis of the Authority's financial performance during the year ended June 30, 2008. Please read it in conjunction with the Authority's financial statements, which immediately follow this section.

Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand White Lake Area Solid Waste Authority financially as a whole. The basic financial statements are comprised of the following elements:

Management's Discussion and Analysis (MD&A)

(Required Supplemental Information)

Basic Financial Statements

Financial Statements

Statements of net assets

Statements of revenues, expenses, and changes in net assets

Statements of cash flows

Notes to Financial Statements

The statement of net assets provides balances as of the end of the reporting period. The statement of revenues, expenses, and changes in net assets provides information related to the activities of the Authority during the year. The statement of cash flows presents detailed information about the Authority's cash collection and disbursement.

Financial Overview

Recall that the statement of net assets provides the perspective of the Authority as a whole. The following table provides a comparison of the Authority's net assets as of June 30, 2008 and June 30, 2007:

	Statement of Net Assets	
	<u>2007</u>	<u>2008</u>
<u>Assets</u>		
Current and other assets	\$ 29,987	\$ 37,672
Capital assets	-	-
Total assets	<u>29,987</u>	<u>37,672</u>
<u>Liabilities</u>		
Current liabilities	\$ 7,633	\$ 10,581
<u>Net Assets</u>		
Unrestricted	<u>\$ 22,354</u>	<u>\$ 27,091</u>

White Lake Area Solid Waste Authority

Management's Discussion and Analysis

The above analysis focuses on the net assets. Current assets increased due primarily to the fact that we had a decrease in expenses and an increase in charges for services. The change in net assets (see table below) of the Authority's governmental activities is discussed below. The Authority's net assets were \$27,091 at June 30, 2008. Capital assets, net of related debt, totaled \$0 which is the same as the prior year. The remaining amount of net assets of \$27,091 was unrestricted.

The \$27,091 in unrestricted net assets of governmental activities represents the accumulated results of all past years' operations. The unrestricted net asset balance is used to provide working capital and cash flow requirements as well as providing for future uncertainties.

The results of this year's operations for the Authority are reported in the statement of activities, which shows the changes in net assets for fiscal year 2008.

Statement of Activities

	<u>2007</u>	<u>2008</u>
Operating revenues		
Charges for services	\$ 71,329	\$ 79,458
Operating expenses		
Salaries and fringe benefits	8,966	8,821
Contracted services	63,178	60,509
Telephone	348	358
Professional fees	1,500	1,500
Insurance and bonds	2,189	1,846
Administrative services	1,500	1,500
Repairs and maintenance	-	225
Depreciation	322	-
Other	<u>30</u>	<u>147</u>
	78,033	74,906
Operating income (loss)	(6,704)	4,552
Non-operating revenues		
Investment earnings	<u>240</u>	<u>185</u>
Change in net assets	(6,464)	4,737
Net assets at beginning of year	<u>28,818</u>	<u>22,354</u>
Net assets at end of year	\$ 22,354	\$ 27,091
	=====	=====

White Lake Area Solid Waste Authority

Management's Discussion and Analysis

Increase in Net Assets

The Authority experienced an increase in net assets of \$4,737. One reason for the change in net assets was that the charges for contracted services decreased. The main reason was due to the increase in charges for services. The net result was the resulting increase in the net assets.

Capital Asset and Debt Administration

Capital Assets

At June 30, 2008, the Authority had \$0 (after accumulated depreciation) invested in a broad range of capital assets, including a building and transfer station equipment. This amount (including additions, deductions, and depreciation) is the same as last year.

	<u>2007</u>	<u>2008</u>
Transfer station	\$ 75,185	\$ 75,185
Building improvements	<u>3,068</u>	<u>3,068</u>
Total capital assets	\$ 78,253	\$ 78,253
Accumulated depreciation	<u>\$ 78,253</u>	<u>\$ 78,253</u>
Total assets, net	<u>\$ -</u>	<u>\$ -</u>

There were no capital asset additions or deletions during the year.

Economic Factors

The Authority has been slowly utilizing net assets to cover its annual net losses until this year. The Authority changed its billing policies related to pride week, in 2005, to increase revenues. The Authority has adopted a break even budget for fiscal year 2009. The budget could be affected by several factors which may require the adjustment of the budget as the year progresses. The Authority's finances would be affected by an increase in dumping or hauling costs and the possible replacement of the oil receiving station. If these increased costs occur it is likely that the Authority would have to adjust its revenues in a manner to recover these additional costs through higher user fees or assessments to the participating municipalities. On the chance that revenue may need to be adjusted the Authority has agreed on a formula for assessing participating municipalities.

Contacting the Authority Financial Management

This financial report is designed to provide a general overview of the Authority's finances for all those interested in the Authority. If you have any questions about this report or need additional information, contact the White Lake Area Solid Waste Authority at 8778 Ferry St., Montague, MI 49437.

White Lake Area Solid Waste Authority

Statements of Net Assets

<i>June 30,</i>	2008	2007
Assets		
Current Assets		
Cash and investments (Note 2)	\$ 31,079	\$ 22,603
Due from other governmental units	6,593	7,384
Total Current Assets	37,672	29,987
Non-Current Assets		
Capital assets		
Land improvements	75,185	75,185
Building improvements	3,068	3,068
Less accumulated depreciation	(78,253)	(78,253)
Net Capital Assets	-	-
Total Assets	37,672	29,987
Liabilities and Net Assets		
Liabilities		
Accounts payable	10,581	7,614
Due to other governmental units	-	19
Total Liabilities	10,581	7,633
Net Assets		
Unrestricted	\$ 27,091	\$ 22,354

See accompanying notes to financial statements.

White Lake Area Solid Waste Authority

Statements of Revenues, Expenses, and Changes in Net Assets

<i>Years ended June 30,</i>	2008	2007
Operating Revenues		
Charges for services	\$ 79,458	\$ 71,329
Operating Expenses		
Salaries and fringe benefits	8,821	8,966
Contracted services	60,509	63,178
Telephone	358	348
Professional fees	1,500	1,500
Insurance and bonds	1,846	2,189
Repairs and maintenance	225	-
Administrative services	1,500	1,500
Depreciation	-	322
Other	147	30
Total Operating Expenses	74,906	78,033
Operating Income (Loss)	4,552	(6,704)
Non-Operating Revenue		
Investment earnings	185	240
Change in Net Assets	4,737	(6,464)
Net Assets – Beginning of year	22,354	28,818
Net Assets – End of year	\$ 27,091	\$ 22,354

See accompanying notes to financial statements.

White Lake Area Solid Waste Authority

Statements of Cash Flows

<i>Years ended June 30,</i>	2008	2007
Cash Flows from Operating Activities		
Receipts from customers	\$ 80,249	\$ 71,982
Payments to suppliers	(63,137)	(66,541)
Payments to employees	(8,821)	(11,530)
Net Cash Provided by (Used for) Operating Activities	8,291	(6,089)
Cash Flows from Investing Activities		
Investment income	185	240
Net Increase (Decrease) in Cash and Investments	8,476	(5,849)
Cash and Investments, Beginning of year	22,603	28,452
Cash and Investments, End of year	\$ 31,079	\$ 22,603
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities		
Operating income (loss)	\$ 4,552	\$ (6,704)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:		
Depreciation	-	322
Changes in assets and liabilities:		
Due from other governmental units	791	653
Due to other governmental units	(19)	(2,564)
Accounts payable	2,967	2,204
Net Cash Provided by (Used for) Operating Activities	\$ 8,291	\$ (6,089)

See accompanying notes to financial statements.

White Lake Area Solid Waste Authority

Notes to Financial Statements

1. Summary of Significant Accounting Policies

The financial statements of the White Lake Area Solid Waste Authority (the “Authority”) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Private-sector standards of accounting and financial reporting, issued prior to December 1, 1989, generally are followed to the extent that those standards do not conflict with or contradict guidance of the GASB. Governments also have the option of following subsequent private-sector guidance, subject to the same limitation. The Authority has elected not to follow subsequent private-sector guidance. The more significant of the Authority's accounting policies are described below.

Reporting Entity

The White Lake Area Solid Waste Authority is incorporated under the provisions of Act 179, Public Acts of Michigan, as amended, for the purpose of the collection and disposal of garbage and rubbish for citizens of its constituent municipalities: the Cities of Whitehall and Montague, the Townships of Blue Lake, Montague, Whitehall and White River.

Each of the municipalities participating in the Authority share the cost of operating and financing it. Initial capital requirements for construction of the transfer station and annual operating contributions are allocated to the municipalities in proportion to their respective populations. In addition, operating costs of the Authority are partially funded by user fees.

Basis of Accounting

Financial activities of the Authority are accounted for using the accrual basis of accounting.

White Lake Area Solid Waste Authority

Notes to Financial Statements

Assets, Liabilities and Net Assets

Deposits and Investments

The Authority's cash and investments are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

The Authority reports its investments in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Under this Standard, certain investments are valued at fair value as determined by quoted market prices or by estimated fair values when quoted market prices are not available. The Standard also provides that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the Authority intends to hold the investment until maturity.

The Authority has adopted an investment policy in compliance with State of Michigan statutes. Those statutes authorize the Authority to invest in obligations of the United States, certificates of deposit, prime commercial paper, securities guaranteed by United States agencies or instrumentalities, United States government or federal agency obligation repurchase agreements, bankers' acceptances, state-approved investment pools and certain mutual funds.

Capital Assets

Capital Assets, which include plant and equipment are defined by the government as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

White Lake Area Solid Waste Authority

Notes to Financial Statements

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Property, plant and equipment is depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Building improvements	20
Land improvements	10-20

2. Deposits and Investments

Deposits

Custodial Credit Risk Related to Deposits

The Authority will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the Authority will do business. At June 30, 2008 and 2007, none of the Authority's bank balances of \$25,805 and \$17,524, respectively, were exposed to custodial credit risk.

Investments

The Authority invests certain funds in an external investment pool (Pool). The Pool is not regulated nor is it registered with the SEC. The Pool reports as of June 30, 2008 and 2007, the fair value of the Authority's investments of \$5,223 and \$5,030, respectively, is the same as the value of the Pool shares.

White Lake Area Solid Waste Authority

Notes to Financial Statements

Interest Rate Risk

The Authority will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the Authority's cash requirements.

Custodial Credit Risk Related to Investments

The Authority will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by limiting investments to the types of securities listed in the Authority's investment policy, pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the Authority will do business. All of the Authority's investments are held in the name of the Authority.

Concentration of Credit Risk

The Authority will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Authority's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential loss from any one type of security or issuer will be minimized.

White Lake Area Solid Waste Authority

Notes to Financial Statements

Credit Risk

State statutes authorize the Authority to invest in obligations and certain repurchase agreements of the U.S. Treasury and related governmental agencies, commercial paper rated prime at the time of purchase, bankers acceptances and certificates of deposit issued or created by any state or national bank insured with the applicable federal agency, investment pools authorized by the Surplus Funds Investment Pool Act and mutual funds composed entirely of the above investments. The Authority's investment policy does not further limit its investment choices.

Foreign Currency Risk

The Authority is not authorized to invest in investments which have this type of risk.

3. Capital Assets

Capital asset activity for the year ended June 30, 2008 was as follows:

	Balance July 1, 2007	Additions	Deductions	Balance June 30, 2008
Capital assets, being depreciated				
Building improvements	\$ 3,068	\$ -	\$ -	\$ 3,068
Land improvements	75,185	-	-	75,185
Total	78,253	-	-	78,253
Less accumulated depreciation for				
Building improvements	3,068	-	-	3,068
Land improvements	75,185	-	-	75,185
Total	78,253	-	-	78,253
Capital Assets, Net	\$ -	\$ -	\$ -	\$ -

White Lake Area Solid Waste Authority

Notes to Financial Statements

- 4. Related Party Transactions** The Authority pays an administrative fee to the City of Montague, a participating governmental unit, for allocated City employee wages and fringe benefits. The fee incurred for the years ended June 30, 2008 and 2007 was \$1,500.
- 5. Risk Management** The Authority is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Authority carries commercial insurance. Liabilities in excess of insurance coverage, if any, are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. There have been no losses in excess of insurance coverage in the prior three years.

Board of Directors
White Lake Area Solid Waste Authority

December 12, 2008

In planning and performing our audit of the financial statements of the White Lake Area Solid Waste Authority (the "Authority") as of and for the year ended June 30, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies and other deficiencies that we consider to be material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We believe that the following deficiency constitutes a significant deficiency.

The American Institute of Certified Public Accountants (AICPA) has issued Statement on Auditing Standards No. 99, *Consideration of Fraud in a Financial Statement Audit*. This statement requires the independent auditor to perform additional procedures that are intended to reduce the risk that material fraud may go undetected. You should be aware that, while these additional procedures may reduce the risk of material undetected fraud, they do not eliminate risk. It is management's responsibility to design and implement programs and controls to prevent, deter and detect fraud. During our audit of the Authority, we noted that there was no documented fraud prevention policy in place.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that the following deficiency constitutes a material weakness.

During our documentation of controls in place over cash receipts, we noted that there are no accounting controls exercised over fees for services prior to the initial entry of the fees in the accounting records.

This communication is intended solely for the information and use of the Board of Directors and management of the White Lake Area Solid Waste Authority and is not intended to be, and should not be, used by anyone other than these specified parties.

Prudna Lathes, LLC

Board of Directors
White Lake Area Solid Waste Authority
2100 Holton Road
Whitehall, Michigan 49461

December 12, 2008

Dear Board of Directors:

Professional standards require us to advise you of the following matters relating to our recently completed audit of the White Lake Area Solid Waste Authority (the "Authority") as of and for the year ended June 30, 2008. The matters discussed herein are those that we have noted as of December 12, 2008 and we have not updated our procedures regarding these matters since that date to the current date.

Our Responsibility under Generally Accepted Auditing Standards

As stated in our engagement letter dated May 19, 2008, our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable assurance about whether the financial statements are free of material misstatements, whether caused by error or fraud. An audit in accordance with generally accepted auditing standards does not provide absolute assurance or guarantee the accuracy of the financial statements and is subject to the inherent risk that errors or fraud, if they exist, have not been detected. Such standards also require that we obtain a sufficient understanding of the Authority's internal control to plan the audit. However, such understanding is required for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

Overview of Planned Scope and Timing of the Audit

A discussion was held with the Treasurer on June 24, 2008 regarding the planned scope and timing of the audit, the intention of which was to assist those charged with governance in understanding better the consequences of our audit work on your oversight responsibilities along with assisting us in understanding better the Authority and its environment. The focus of this discussion included how the risks of material misstatement, whether due to error or fraud, would be addressed and on factors, rather than specific thresholds or amounts, that would impact materiality used in our planning and execution of the audit.

Significant Findings from the Audit

Management Judgments and Accounting Estimates

Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments. We have made tests of management's estimates and deemed them to be appropriate.

There were no material contingencies, as defined in FASB Statement No. 5, for which we had questions or concerns about the reasonableness of the accounting or the adequacy of the financial statement disclosure.

Misstatements

Professional standards require the auditor to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Additionally, we are required to communicate with those charged with governance uncorrected misstatements and the effect that they may have on the opinion in the auditor's report, and request their correction.

During our audit, no material corrected misstatements or unrecorded misstatements were brought to the attention of management by us.

Discussion about the Quality of Significant Accounting Practices

In accordance with applicable auditing standards, a discussion was held with on June 24, 2008 regarding the quality of the Authority's significant accounting practices, which included the Authority's significant accounting practices, estimates, and financial statement disclosures.

Adoption of a Change in Accounting Principle

There were no situations involving the adoption of or a change in accounting principles where the application of alternative generally accepted accounting principles, including alternative methods of applying an accounting principle, would have a material effect on the Authority's financial statements.

Disagreements with Management

Professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the Authority's financial statements or the audit report. No such disagreements arose during the course of our audit.

Consultation with Other Accountants

There may be circumstances where the Authority considers consulting with other accountants about accounting and auditing matters. We are not aware of any consultations about accounting or auditing matters between management and other accountants. We are also not aware of opinions obtained by management from other accountants on the application of generally accepted accounting principles.

Significant Issues Discussed with Management Prior to Our Retention

Prior to our being retained as auditor for the current fiscal year, there were no significant accounting or other issues of concern discussed with management.

Material Alternative Accounting Treatments Discussed with Management

During the past year, there were no discussions with management concerning material alternative accounting treatments.

Significant Difficulties Encountered in Performing the Audit

There were no significant difficulties encountered during the course of the audit. All records and information requested by Pridnia LaPres, PLLC were freely available for inspection. Management and other personnel provided full cooperation.

Representations Requested from Management

Refer to the management representation letter that we have provided to those charged with governance.

Other Issues Arising from the Audit that We Consider Significant and Relevant to Those Charged with Governance

There were no other issues arising from the audit that we consider significant and relevant to those charged with governance.

Other Material Written Communications with Management

We have provided to those charged with governance copies of all material written communications that we prepared in connection with our annual audit.

Internal Control Matters

We have communicated, in writing, to management and to those charged with governance all significant deficiencies and material weaknesses in connection with our audit of the financial statements that we are aware of.

Independence

We are not aware of any circumstances or relationships that would impair our independence.

Should you desire further information concerning these matters, we will be happy to meet with you at your convenience.

This letter is solely for the internal use of those charged with governance and management of the White Lake Area Solid Waste Authority and should not be distributed to any other persons or used for any other purpose.

Very truly yours,

A handwritten signature in black ink that reads "Pridnia Latnes, LLC". The signature is written in a cursive, flowing style.